



Republican Policy Committee

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Playing Politics with Medicare

The President Wants An Issue, Not a Solution

President Clinton is playing politics with the budget and he is wagering seniors' health care security to try to get a win for his own political health.

Meanwhile, the Congress is busy saving Medicare.

The President's party, in order to produce a political conflict, is willing to demagogue to the point of denying their own Medicare Trustees' report.

- The Trustees' report is the Clinton administration's report. The Trustees' include three of Clinton's cabinet members and the President's Social Security Commissioner and his Administrator of the Health Care Financing Administration among its seven members.
- Recently, on NBC's *Meet the Press*, House Minority Leader Richard Gephardt declared, "The program's not going broke tomorrow. . . . You have insolvency problems in 2002."
- Actually, according to the Trustees' report the program is going broke tomorrow. On pages 2-4 their report states: "*The HI program is severely out of financial balance in the short range. . . . [t]he Trustees believe that prompt, effective, and decisive action is necessary.*"
- The Medicare trust fund will begin running a deficit in FY 1997, which begins on October 1, 1996 — just one year away.
- According to the trustees' report, these deficits will continue until the trust fund is broke five years later.
- Because the Hospital Insurance (HI) portion of Medicare is separated from other federal spending — a trust fund with its revenues and spending dedicated only to Medicare — it is prohibited by law from borrowing from other sources to pay its bills.
- When it goes broke, its bills go unpaid and seniors go without.

Clinton and his party are using 'Medi-scare' tactics to mask the huge risk they are forcing on seniors. They are imputing the worst they can imagine to a Congressional plan whose details they do not have in hand.

- The most frightening thing that could happen to Medicare will happen to Medicare if Congress doesn't act now: it will go bankrupt and cease to exist — the Trustees' report makes that very clear.
- The President's, and his party's refusal to offer a plan or join in efforts to save Medicare means **their plan is to allow for Medicare's failure.**

The facts of the matter are:

Congress will not cut Medicare spending, benefits, or violate any contract with seniors.

- Under the budget adopted by Congress, Medicare spending increases in each and every of the seven years of the Congressional balanced budget plan, from a total of \$181 billion in FY 1995 to \$277 billion in FY 2002 — a \$96 billion or 53 percent increase.
- Medicare benefits will also increase from an average of \$4,800 in FY 1995 to \$6,700 in FY 2002 — a \$1,900 or 40-percent increase.
- Medicare will continue to honor its health contract to seniors. However, Congress knows that a contract with a bankrupt agency is worthless. That's why Congress won't let that happen.
- Opponents of reform who describe Medicare as a prepaid system are deliberately misrepresenting the Medicare program. It was never and is not now, a set-aside by individuals for future medical expenses. As the Trustees' report points out, it is a pay-as-you-go system where current workers pay for previous workers' medical care. Because of demographics, there are now fewer workers available to support the needs of more retirees. This trend will continue for as long as the Medicare trustees or anyone can predict. According to page 27 of the Trustees' report:

*Currently about four covered workers support each HI enrollee.
This ratio will begin to decline rapidly early in the next century.
By the middle of that century, only about two covered workers
will support each enrollee.*

Medi-scare tactics aside, the reform plan will improve Medicare.

- Choice is the starting point of the effort to reform Medicare.

- Maintaining the right to stay in the current Medicare system is also one of the guiding principles, just as maintaining the Medicare system itself is. Congress' goal is to make the future even better.

The Medicare trust fund will be saved, not raided.

- Medicare is a trust fund that is totally separate from other parts of the federal budget. None of the money that goes into it can come out of it for any purpose other than Medicare. **That's the law.** And if the trust fund goes broke, it is likewise prevented from borrowing to make up the difference. That is also the law and why Congress can't let that happen.
- Medicare's own trustees expect it to be broke after FY 2002. The budget has nothing to do with this separate trust fund. **If the budget was balanced today, Medicare would still be bankrupt tomorrow if we don't act.**
- If there were no tax cuts in our balanced budget, Medicare would still be going broke. Tax cuts and Medicare are not connected in our budget and because of Medicare's separate nature, savings here will stay here to strengthen the Medicare system — they can not go to pay for a tax cut and the President knows it.
- Not only are tax cuts not paid for by Medicare, but tax cuts will not even take place unless CBO is able to certify that the budget will be balanced. In contrast, the President's tax cuts would take place regardless of whether the budget is balanced — and under his plan, it never does balance.

Our goal is simple: to produce a plan that preserves Medicare's viability.

- In contrast, the President's partisanship makes him willing to test Medicare's **deniability.**

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